

## AK0900 – ENTERPRISE RISK MANAGEMENT

Interior Health would like to recognize and acknowledge the traditional, ancestral, and unceded territories of the Dākelh Dené, Ktunaxa, Nlaka’pamux, Secwépemc, St’át’imc, Syilx, and Tšilhqot’in Nations, where we live, learn, collaborate and work together.

Interior Health recognizes that diversity in the workplace shapes values, attitudes, expectations, perception of self and others and in turn impacts behaviors in the workplace. The dimensions of a diverse workplace includes the protected characteristics under the human rights code of: race, color, ancestry, place of origin, political belief, religion, marital status, family status, physical disability, mental disability, sex, sexual orientation, gender identity or expression, age, criminal or summary conviction unrelated to employment.

### 1.0 PURPOSE

- To establish and maintain an efficient and effective organization-wide Enterprise Risk Management (ERM) Framework (Appendix A) to support Interior Health (IH) in achieving its goals.
- To provide direction on the requirements and responsibilities to integrate and apply the ERM Framework within all IH operations.

### 2.0 DEFINITIONS

TERM	DEFINITION
<b>Enterprise Risk Management or (ERM)</b>	A continuous, systematic and proactive approach to support an organization in achieving its objectives by considering the risks at all levels in the organization and then managing the combined impact of those risks.
<b>Risk</b>	The effect of uncertainty on objectives, including: <ul style="list-style-type: none"> <li>• <b>Enterprise Risk</b> – Risks that impact the ability to deliver on the organization’s mission and/or strategic priorities.</li> <li>• <b>Operational Risk</b> – Risks that impact program or site deliverables and can be managed at that level.</li> <li>• <b>Inherent Risk</b> – Risk exposure in the absence of mitigation activities.</li> <li>• <b>Residual Risk</b> – Risk exposure after the development and implementation of mitigation activities.</li> </ul>
<b>Risk Mitigation Activities</b>	Activities undertaken with the goal of reducing risk exposure and minimizing the likelihood or impact of a risk.

Policy Sponsor: VP, Clinical & Corporate Services	1 of 2
Policy Steward: Corporate Director, Privacy, Policy & Risk Management	
Date Approved: March 2020	Date(s) Reviewed-r/Revised-R: February 2023 (R)
<b><i>This is an Interior Health CONTROLLED document. A copy of this document in paper form is not controlled and should be checked against the electronic file version to ensure accuracy.</i></b>	

**AK0900 – ENTERPRISE RISK MANAGEMENT**

**3.0 POLICY**

- 3.1 IH will actively and systematically promote and instill ERM principles and processes in all planning and decision-making activities and will ensure relevant and appropriate tools, support and training are available.
- 3.2 The Privacy, policy, and Risk Management (PPRM) department, under the direction of the responsible Vice President, and the Strategy and Risk Management Committee (SRMC), will provide leadership and guidance for ERM.

**4.0 PROCEDURES**

- 4.1 This policy applies to all IH employees and medical staff.
- 4.2 All IH employees and medical staff are responsible for recognizing the potential risks within the scope of their own work and expected to work with management and PPRM to document the risk and to establish appropriate processes and risk mitigation activities to address the risk.
- 4.3 The Framework sets out IH’s organization-wide approach to ERM and describes the principles of the ERM program including the process and tools for identifying, assessing, monitoring, mitigating, and reporting on enterprise-wide risks. The Framework also confirms the commitment to continuously improve the ERM program.

**5.0 REFERENCES**

- 1. [IH Board of Director Manual s 3.11](#)
- 2. International Organization for Standardization Standard (ISO Standard) [ISO 31000:2018 Risk Management Guidelines](#).
- 3. Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework) [2017 Enterprise Risk Management: Integrating with Strategy & Performance](#)
- 4. [Province of British Columbia’s Risk Management Guideline for the Public Sector](#).

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Appendix A

Enterprise Risk  
Management  
Framework

2023



Interior Health



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## Land Acknowledgement

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## 1.0 Introduction

IH operates in a dynamic and complex environment that faces many areas of risk and uncertainty. The term “risk” describes the effect of uncertainty on objectives.

Enterprise Risk Management (ERM) describes a continuous, systematic and proactive approach to support an organization in achieving its goals by considering the risks at all levels in the organization, and then managing the combined impact of those risks.

### 1.1 Purpose

This Framework describes Interior Health’s (IH) approach to managing risk across the organization through a structured risk management program. The Framework applies to all employees and medical staff and assists IH in achieving its Mission.

IH’s ERM program follows the internationally recognized principles and standards set out by the International Organization for Standardization ([ISO 31000:2018](#)), Committee of Sponsoring Organizations of the Treadway Commission ([COSO](#)), and the [Province of British Columbia’s Risk Management Guideline for the Public Sector](#).

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***IH Mission***  
*Working together  
to improve quality  
of life for  
individuals and  
communities,  
inspired by  
innovation and  
partnership.*

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The IH ERM Program aims to:

- Implement ERM best practices and principles via an organization-wide policy and guiding Framework;
- Establish governance and a structured process with clearly defined roles / responsibilities and regular reporting;
- Align with other organization-wide processes including strategic and resource planning and decision-making;
- Support and improve the organization’s risk management culture; and
- Continuously seek to evolve and improve the program in an iterative manner.





## 1.2 Principles

Every person at IH acts as a risk manager, and is responsible for identifying and managing risks that may prevent IH from achieving its objectives.

The principles outlined below are the foundation for IH's ERM program (see also ISO 31000:2018 Risk Management – Guideline). Regular review and evaluation of the ERM program ensures it continues to reflect these principles and adjusts based on the organization's culture and context.

Creates Value	• Create and protect value by identifying and managing internal and external factors that may affect achievement of its objectives.
Integral Part of Organizational Processes / Decision Making	• Integrate ERM within other planning activities & processes; help decision makers make informed choices, prioritize and distinguish among alternative courses of action.
Explicitly Addresses Uncertainty	• Explicitly account for uncertainty, the nature of that uncertainty and how to address uncertainty.
Systematic, Structured & Timely	• A consistent and structured approach contributes to efficiency and to comparable and reliable results.
Based on Best Available Information	• Obtain the best available information in order to have a correct understanding of any risk.
Tailored	• Adjust the ERM process to align with IH's needs.
Accounts For Human & Cultural Factors	• Recognize that human and cultural characteristics influence a stakeholder's view.
Transparent & Inclusive	• Appropriate and timely involvement of stakeholders ensures ERM remains relevant and up-to-date.
Dynamic, Iterative & Responsive to Change	• Continually sense and respond to change resulting from external and internal events.
Continuous Improvement	• Develop and implement strategies to improve ERM maturity alongside all other aspects of the organization.



### 1.3 Key Definitions

Enterprise Risk Management (ERM)	A continuous, systematic and proactive approach to support an organization in achieving its objectives by considering the risks at all levels in the organization and then managing the combined impact of those risks.
Risk	The effect of uncertainty on objectives, including: <ul style="list-style-type: none"> <li>• <b>Enterprise Risk</b> – Risks that impact the ability to deliver on the organization’s mission and/or strategic priorities.</li> <li>• <b>Operational Risk</b> – Risks that impact program or site deliverables and can be managed at that level.</li> <li>• <b>Inherent Risk</b> – Risk exposure in the absence of mitigation activities.</li> <li>• <b>Residual Risk</b> – Risk exposure after the development and implementation of mitigation activities.</li> </ul>
Risk Mitigation Activities	Activities undertaken with the goal of reducing risk exposure and minimizing the likelihood or impact of a risk.
Risk Register	A central document that records the information captured during the ERM process.

## 2.0 Governance

The design and structure of IH’s ERM program takes into consideration organizational culture, context, legal and regulatory requirements and most importantly, obligations to clients, patients, employees and partners.

The effectiveness of the ERM program depends on successfully embedding it into the decision-making process for all IH activities. Integrating risk considerations into decision-making ensures that IH stakeholders account for risks, and the activities in place or required to manage those risks, when planning activities to help achieve IH’s objectives. This integrated risk approach helps overcome the perception that risk management is an isolated exercise concerned only with compiling and managing a list of risks.

Governance of the ERM program includes:

- Alignment with other organization-wide processes;
- Implementing ERM principles via an organization-wide policy; and
- Establishing a governance structure with clearly defined roles and responsibilities;





## 2.1 Alignment with Other IH Processes

One of the Board's risk management mandates is to ensure that systems and programs are in place to manage financial and non-financial risks ([Board Risk Management Policy Section 3.11](#)). The ERM program is one of the many organization-wide processes that occurs iteratively, and aligns with other system, service, and financial planning processes. Through direct support of these processes, ERM ensures that risk information is embedded in core planning and financial management activities.

## 2.2 ERM Guided by Policy

IH's ERM Policy, [AK0900 – Enterprise Risk Management](#) sets forth a common approach to addressing risk in support of its objectives. The benefits of the policy include:

- Advancing the objective of integrating enterprise-wide risk Management into IH planning and decision-making;
- Establishing clearly defined, documented risk management processes connected to other enterprise-wide processes;
- Providing IH employees and medical staff easier access and reference ERM processes; and
- Ensuring the policy is periodically reviewed (at least every 3 years per the IH Policy Development Guide).

## 2.3 Roles & Responsibilities

An effective ERM program requires clearly defined roles and responsibilities, and those responsibilities are shared across the organization. Though all IH employees and medical staff are responsible for recognizing the potential risks within the scope of their own work, the key stakeholders for the ERM program include:

### *Board of Directors (Board)*

- Have a continuing understanding of the principal risks associated with the Authority's objectives;
- Ensure management keeps the Board well informed of changing risks and any major incident reports;
- Receive an update from management on the ERM program (including any changes to the ERM program) including identified risks and mitigation activities at every Board meeting; and
- Maintain a supportive stance, reinforcing the importance of effective risk



management in all decision-making relevant to the achievement of IH's Mission and its accountability to its stakeholders.

#### *Senior Executive Team (SET)*

- Provide resources and support to maintain the ERM program;
- Regularly review significant / key risks;
- Define the roles of management and management committees as it relates to risk; and
- Monitor the operation of the ERM program and provide the Board with regular updates that include: (i) key risks and mitigation activities; (ii) changes to previously identified key risks and mitigation activities and (iii) approve any changes in policy or process needed to achieve the overall objectives of the ERM program.

#### *Internal Audit*

- Gather information on all aspects of the ERM program and how it is functioning across the organization as part of its mandate to audit control systems; and
- Provide the President and Chief Executive Officer, SET and the Board with an independent assessment of the strengths and weaknesses of the ERM program and advise on where changes in either policy or process may be desirable.

#### *Strategy & Risk Management Committee (SRMC)*

- Perform the risk committee function for the ERM program;
- Review the appropriateness of items on the Enterprise Risk Register;
- Monitor mitigation plans and their effectiveness;
- Recommend additions and deletions of risk items to SET;
- Assign Risk Leads for significant/key risks;
- Review key risks and ensure mitigation responses are established; and
- Report bi-monthly risk alerts to SET.

#### *VP Leadership Teams (VPLT)*

- Identify, assess, monitor and report on risks in their areas of responsibility;
- Establish an inherent risk score; and
- Monitor and report changes to existing risk events and risk mitigations.

#### *Risk Leads*

- Help assess severity of risks (low, medium, high, extreme) using the risk Assessment Matrix (Appendix B) as guidance;



- Monitor risks and report on changes to likelihood or impact over time;
- Oversee risk mitigation activities, including updating the status and completion of the activities on a regular basis;
- Coordinate efforts with other IH employees and medical staff to complete risk mitigation activities;
- Establish a residual risk score based on the effectiveness of the mitigation activities; and
- Communicate the status of risk mitigation activities to SRMC.

#### *Privacy, Policy, and Risk Management (PPRM) department – ERM Leader*

- Educate stakeholders on ERM;
- Liaise/coordinate with Risk Leads, VPLTs, and SRMC to obtain enterprise-wide view of risks;
- Integrate with other IH-wide processes (e.g. Health System Planning and Business Strategy) where possible to further support risk-informed planning and decision-making;
- Prepare regular updates to SRMC, SET and the Board on risk management activities and provide updates if any significant risk changes or issues arise; and
- Review the ERM program and its administrative procedures and recommend changes as appropriate.

#### *Employees and Medical Staff*

- Apply risk management principles within the scope of their duties and responsibilities, by integrating risk considerations into their business planning and processes; and
- Report any risks with issues, causes, or impacts beyond their scope of responsibility or available resources to their manager.

## **3.0 Process**

A clearly understood ERM program requires a consistent process and recurring activities, including a regular reporting schedule to ensure all stakeholders are aware of enterprise-wide risks. A future-focused ERM program conducts regular, proactive monitoring and environmental scanning to capture internal and external events that may affect its ability to achieve its objectives.

IH's four-step ERM process (below) is iterative in nature, and is refreshed annually and as indicated by material changes in IH's operating or business environment.



### 3.1 Key Activities

Each step of the ERM process requires specific activities and recording the results of these activities in a central, accessible document (Risk Register). Risks do not remain static and therefore a Risk Register is a living document, subject to review at regular intervals, for example:

Frequency	Icon	Key Activities
Monthly	Checkmark in green circle	<ul style="list-style-type: none"> <li>Update SRMC on enterprise risk position and the ERM program.</li> <li>Review briefing note packages for changing or emerging risks.</li> </ul>
Bi-Monthly	Checkmark in blue circle	<ul style="list-style-type: none"> <li>Liase with Risk Leads to review mitigations.</li> <li>Provide updates to SET and IH Board of Directors.</li> <li>Update corporate risk register.</li> </ul>
Quarterly	Checkmark in yellow circle	<ul style="list-style-type: none"> <li>Support Strategic Priority Reporting process led by Health System Planning.</li> <li>Review finalized SP reports for risk and mitigation updates.</li> </ul>
Bi-Annually	Checkmark in orange circle	<ul style="list-style-type: none"> <li>Liase with VP Leadership Teams to update portfolio risk registers.</li> <li>Update corporate risk register.</li> </ul>
Annually	Checkmark in teal circle	<ul style="list-style-type: none"> <li>Inform Budget Management Planning process.</li> <li>Support HSP E-Scanning process.</li> <li>Review and update risk categories.</li> </ul>



Furthermore, the detailed activities within each step of the ERM process include:

### **IDENTIFY**

- Recognize, describe and document new and/or emerging risks / risk events that can prevent IH from achieving its objectives; and
- Collate and record risks / risk events that are informed by a variety of sources including strategic priority and/or incident reports, leadership team consultation, briefing note risk statements, and ongoing environmental scanning.

### **ASSESS**

- Assess the likelihood and consequences of the identified risks occurring;
- Determine the issues, causes and impacts of the risks; and
- Determine the severity of the risks (low, medium, high, extreme) using the risk assessment matrix ([Appendix B](#)).

### **MANAGE**

- Recommend how to best address risks, for example:
  - **Accept** = No action required, keep monitoring
  - **Transfer** = Transfer risk from one party to another (e.g. Purchase insurance, engage a contractor)
  - **Mitigate** = Take action to address and minimize the impact of a risk, with the goal of reducing the risk to an acceptable level
  - **Avoid** = Do not start, or discontinue the initiative(s) giving rise to the risk
- Establish and implement appropriate mitigation activities that may reduce the likelihood and/or consequence of the risk; and
- Define expected outcomes of mitigation activities and monitor indicators.

### **MONITOR & REPORT**

- Based on established indicators and mitigation activities, regularly review risks;
- Where required, identify alternative mitigations to address the risk;
- Regularly report risk status and mitigations to SRMC, SET and Board of Directors; and
- Annually, complete a thorough environmental scan with key stakeholders (e.g. Health System Planning) looking for new / changing factors that could affect IH risks.



## 3.2 Continuous Improvement

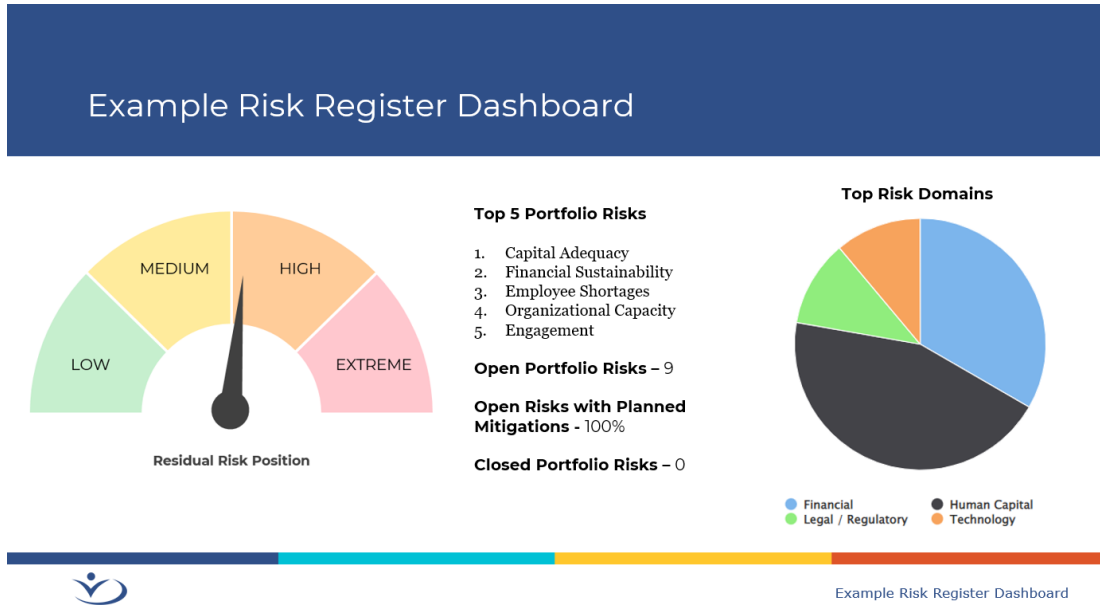
PPRM's ERM Leader monitors and reviews the ERM program and, in collaboration and consultation with SRMC and SET, decides on improvements to the program. Continuous evolution and improvement of the program supports IH's risk management culture.

Various triggers for continuous improvement include:

- At minimum every three years and as required, review / update the ERM policy to ensure it reflects current ERM best practices;
- Annual review and update of risk categories to reflect changes in the external environment and industry best practice;
- Modifications to the Risk Management guidelines for the BC Public Sector
- Regular review and revisions to the ERM Program by enhancing:
  - Reports to stakeholders (form of reports, frequency, etc.);
  - Technology to automate some ERM processes to support ease of use and increase engagement;
  - Methods to measure risk management progress against, and deviation from, the ERM principles;
  - Compliance with the ERM program and/or policy; and
  - The ERM policy and/or Framework itself.



# Appendix A – VP Portfolio Risk Register and Dashboard Example



Rank	Domain	Risk Category <i>(See List; Aligned with ISSUE)</i>	Residual Risk <i>(Exposure after Planned Mitigations)</i>	Risk Statement <i>(If ISSUE – due to CAUSE – results in IMPACT)</i>	Evidence <i>(Why Risk? Address CAUSE)</i>	Current Mitigations <i>(Address ISSUE and CAUSE)</i>
##	Human Capital	Employee Shortages	↑	<i>If IH is unable to recruit and retain staff at all levels due to ongoing staffing challenges, service delivery may be disrupted.</i>	<ul style="list-style-type: none"> <li>• <i>Example Evidence (linked to established data sources where possible)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Current Mitigation Activities (linked to VP Work Plan and Budget Planning where appropriate)</i></li> </ul>





## Appendix B – Risk Assessment Matrix & Recommended Actions

<b>LIKELIHOOD</b>	<b>5</b> <b>Almost Certain</b> <ul style="list-style-type: none"> <li>80% - 99% probability occurring next 12 months.</li> <li>Expected to occur</li> </ul>	<b>Low</b> <b>5</b>	<b>Medium</b> <b>10</b>	<b>High</b> <b>15</b>	<b>Extreme</b> <b>20</b>	<b>Extreme</b> <b>25</b>
	<b>4</b> <b>Likely</b> <ul style="list-style-type: none"> <li>61% - 79% probability occurring next 12 months.</li> <li>Will occur in most circumstances.</li> </ul>	<b>Low</b> <b>4</b>	<b>Medium</b> <b>8</b>	<b>High</b> <b>12</b>	<b>High</b> <b>16</b>	<b>Extreme</b> <b>20</b>
	<b>3</b> <b>Possible</b> <ul style="list-style-type: none"> <li>40% - 60% probability occurring next 12 months.</li> <li>It might occur at some time.</li> </ul>	<b>Low</b> <b>3</b>	<b>Medium</b> <b>6</b>	<b>Medium</b> <b>9</b>	<b>High</b> <b>12</b>	<b>High</b> <b>15</b>
	<b>2</b> <b>Unlikely</b> <ul style="list-style-type: none"> <li>11% - 39% probability occurring next 12 months</li> </ul>	<b>Low</b> <b>2</b>	<b>Low</b> <b>4</b>	<b>Medium</b> <b>6</b>	<b>Medium</b> <b>8</b>	<b>Medium</b> <b>10</b>
	<b>1</b> <b>Almost certain not to happen</b> <ul style="list-style-type: none"> <li>0% - 10% probability occurring next 12 months.</li> <li>Occur only in exceptional circumstances.</li> </ul>	<b>Low</b> <b>1</b>	<b>Low</b> <b>2</b>	<b>Low</b> <b>3</b>	<b>Low</b> <b>4</b>	<b>Low</b> <b>5</b>
	<b>RISK ASSESSMENT MATRIX</b>	<b>1</b> <b>Insignificant</b> <ul style="list-style-type: none"> <li>Minimal impact on achieving Mission.</li> <li>Outcomes within stated risk tolerances.</li> <li>Consequences dealt with by routine operations.</li> <li>Negligible monetary loss.</li> <li>No community response.</li> <li>No media interest.</li> </ul>	<b>2</b> <b>Minor</b> <ul style="list-style-type: none"> <li>Minor impact on Mission.</li> <li>Outcomes within stated risk tolerances.</li> <li>Consequences threaten efficiency or effectiveness of some services.</li> <li>Monetary loss managed within operating or project budget.</li> <li>Isolated community complaints.</li> <li>Local short-term media interest.</li> </ul>	<b>3</b> <b>Moderate</b> <ul style="list-style-type: none"> <li>Moderate impact on Mission.</li> <li>Outcomes may or may not remain within risk tolerances.</li> <li>Consequences would require significant review or change ways of operating.</li> <li>Monetary loss may require suspending some services.</li> <li>Moderate environmental implications.</li> <li>Some community complaints.</li> <li>Local long-term media interest.</li> </ul>	<b>4</b> <b>Major</b> <ul style="list-style-type: none"> <li>Major impact on Mission.</li> <li>Consequences threaten effective provision of services.</li> <li>Senior management intervention required.</li> <li>Monetary loss would require cancellation of some services.</li> <li>High environmental implications.</li> <li>Negative community complaints.</li> <li>Major loss of credibility.</li> <li>National short-term media interest.</li> </ul>	<b>5</b> <b>Catastrophic</b> <ul style="list-style-type: none"> <li>Catastrophic impact on Mission.</li> <li>Consequences threaten key services causing major problems for clients.</li> <li>Monetary loss would have extreme consequences.</li> <li>Far reaching environmental implications.</li> <li>Catastrophic loss of reputation.</li> <li>Parliamentary concerns.</li> <li>National long-term media interest.</li> </ul>
<b>CONSEQUENCE</b>						



RISK RATING (LIKELIHOOD X CONSEQUENCE)	ACTION REQUIRED
Extreme (20-25)	Mitigate, Transfer or Avoid. Immediate attention required. Action plan developed by risk owner.
High (12-16)	Mitigate or Transfer. Action plan for mitigation or transfer developed by risk owner.
Medium (6-10)	Accept or Mitigate. Action plan for mitigation developed by risk owner.
Low (0-5)	Accept and monitor. No further action required.